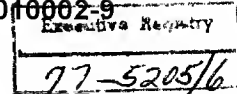




Washington, D.C. 20505



OLC: 77-3814

12 Sept 1977

The Honorable Elmer Staats
Comptroller General
441 G. Street, N.W.
Washington, D.C. 20548

Dear Mr. Staats:

I understand that the GAO, and you personally, are looking into suggestions for changes in Section 912 of the U.S. Tax Code that are currently being discussed within the Government.

On 30 August, Mr. Alan Bennett of your staff inquired about a written statement which he understood that CIA had recently contributed to a review of this matter within the Executive branch, and asked if the GAO might receive a copy. I believe he was referring to my letter of 1 August 1977 to Secretary of the Treasury Michael Blumenthal.

I am happy to forward a copy of this letter to you. It expresses the considerable concerns which the CIA has about the changes proposed in Section 912. I urge your sympathetic consideration of these concerns as you make your own judgments on the matter.

With all best wishes,

Yours sincerely,

Stansfield Turner

STANSFIELD TURNER

Enclosure

cc:
DDA
DCI
Acting DDCI
ER

NOTE: Per OLC Registry/Shirley
this letter was signed on 12 Sept
and sent out on the 13th to ~~GAO~~
from OLC. Compt Gen.



Washington, D.C. 20505

1 August 1977

The Honorable Michael Blumenthal
The Secretary of the Treasury
Washington, D.C. 20220

Dear Mike,

At the Cabinet Meeting on 25 July 1977, you mentioned the possibility of legislation which would rescind Section 912 of the Internal Revenue Code, thereby making allowances paid to overseas personnel taxable income to them. I appreciate your raising the subject at this level and would like to take this opportunity to comment from the CIA viewpoint.

During the past two years, there has been significant concern in the Agency on the part of management, as well as the employees, with respect to this legislation. It would have very serious implications for all agencies with personnel overseas, since it would mean that employees assigned abroad would thereafter be faced with the payment of substantially increased income taxes.

There are a number of reasons why we feel that a revision of the law would be a mistake, and we are prepared to document these in as much detail as necessary. Basically, however, they fall into three categories:

First, the burden of the change would be borne by employees, particularly those in the lower grades, and it would then not be possible to persuade employees to accept the overseas obligations. Further, the short-term impact on complements abroad could be devastating, both to morale and to willingness of employees to stay abroad.

Second, there seems to be an assumption that, if Section 912 is rescinded, the other committees of Congress will increase the allowances to help offset some of the taxes the employees will pay.

In discussions with some of the committees, however, they have indicated that they do not believe that the Congress would increase appropriations for this purpose.

And, finally, the requirement to report all of these expenditures in the separate pay accounts of the thousands of employees; and otherwise facilitating enforcement of the new law by the Internal Revenue Service, would result in an enormously increased administrative workload. We believe, in fact, that the additional appropriations and increased workload would nullify any benefit the Government might otherwise realize as a result of increased revenue from the employee/taxpayers.

The CIA is represented on the Interagency Committee on Overseas Allowances and Benefits, which is still in liaison with the working level in the Treasury Department to assure that all of the related facts are available to your staff. I sincerely urge that these facts be given careful consideration, because our overseas operations will be vitally affected if key employees conclude that their financial best interests require that they avoid service abroad.

Yours,



STANSFIELD TURNER

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Executive Registry			
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2	Acting Director of Personnel 5E 58 Hqs		
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ACTION		DIRECT REPLY	PREPARE REPLY
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COMMENT		FILE	RETURN
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Att: ER 77-5205, -/4			
Remarks:			
<p><i>Unless you perceive some objection, suggest you have the attached exchange of correspondence posted on the Employee Bulletin Boards</i></p>			
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FROM: NAME, ADDRESS AND PHONE NO.		DATE	
Acting Deputy Director of Central Intelligence, 7D6011 Hqs.		25 Aug 77	
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ADDCI:JFB:lake:kmg (25 Aug 77)
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Atts: Correspondence between DCI and Treasury Secretary re tax treatment of overseas allowances paid to Gov't employees
"Unless you perceive some objection, suggest you have the attached exchange of correspondence posted on the Employee Bulletin Boards. /s/Jack Blake"

25 Aug 77

Treasury

RECEIVED